

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HOMER TOWNSHIP	County MIDLAND
Audit Date DECEMBER 20, 2004	Opinion Date FEBRUARY 4, 2005	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ yes ☐ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BURNSIDE & LANG, P.C.			
Street Address 5915 EASTMAN AVE. SUITE 100	City MIDLAND	State MI	ZIP 48640
Accountant Signature			

Homer Township
Midland County, Michigan

=====

Financial Statements

June 30, 2004

**HOMER TOWNSHIP
TOWNSHIP OFFICIALS**

OFFICERS

Barbara Radosa, Supervisor
Ken Schlafley, Clerk
Albert Tew, Treasurer

TRUSTEES

Helen Mudd
Tom Pritchard
John Stern
Russ Varner

**POPULATION-2000
3,924**

**STATE EQUALIZED VALUATION-2003
\$ 105,362,587**

**STATE TAXABLE VALUE-2003
\$ 84,470,132**

**HOMER TOWNSHIP
MIDLAND COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
June 30, 2004**

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Independent Auditors' Report

Members of The Township
Board of Trustees
Homer Township
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Township (the "Township"), Midland County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Homer Township, Midland County, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

The budgetary comparison information on pages 18 and 19, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of Homer Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan
February 4, 2005

Audit & Assurance Services ■ Accounting & Finance Services ■ Estate & Gift Tax Planning & Consulting
Tax Planning & Preparation ■ Financial & Management Assistance ■ Business Valuations

HOMER TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,105,867
Accounts receivable, net	9,835
Taxes receivable, net	297
Assessments receivable, net	6,820,569
Other receivables, net	84,000
Due from other funds	88,137
Capital assets:	
Land and improvements	393,154
Buildings and improvements, net	2,007,767
Equipment, net	93,505
Vehicles, net	229,627
Water system, net	8,444,693
Total capital assets	<u>11,168,746</u>
Total assets	<u>21,277,451</u>
LIABILITIES	
Accounts payable	217,793
Accrued expenses	15,914
Due to other funds	87,539
Deferred revenue	6,904,569
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	645,004
Portion due or payable after one year:	
Bonds and contracts payable	<u>8,702,446</u>
Total liabilities	<u>16,573,265</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,821,296
Restricted for:	
Debt service	912,775
Unrestricted	<u>1,970,115</u>
Total net assets	<u>\$ 4,704,186</u>

The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental:					
General government	\$ 279,059	\$ 27,997	\$ -	\$ -	\$ (251,062)
Public safety	186,715	23,073	-	-	(163,642)
Public works	538,163	-	-	-	(538,163)
Community and economic development	6,570	-	-	-	(6,570)
Recreation and culture	48,237	-	-	-	(48,237)
Interest and fiscal charges	322,203	-	-	-	(322,203)
Total governmental activities	\$ 1,380,947	\$ 51,070	\$ -	\$ -	\$ (1,329,877)
General revenues:					
Property taxes, levied for general purposes					\$ 226,194
State aid					292,421
Investment earnings					337,900
Miscellaneous					167,707
Special assessments					677,508
Total general revenues					1,701,730
Change in net assets					371,853
Net assets-beginning					4,332,333
Net assets-ending					\$ 4,704,186

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2004**

	<u>General</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 420,225	\$ 105,895	\$ 2,579,747	\$ 3,105,867
Accounts receivable, net	9,835	-	-	9,835
Taxes receivable, net	297	-	-	297
Assessments receivables, net	-	-	6,820,569	6,820,569
Due from other funds	86,810	-	1,327	88,137
Other receivables	84,000	-	-	84,000
Total assets	<u>\$ 601,167</u>	<u>\$ 105,895</u>	<u>\$ 9,401,643</u>	<u>\$ 10,108,705</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 81,370	\$ 1,979	\$ 134,444	\$ 217,793
Accrued expenses	15,914	-	-	15,914
Due to other funds	1,327	83,526	2,686	87,539
Deferred revenue	84,000	-	6,820,569	6,904,569
Total liabilities	<u>182,611</u>	<u>85,505</u>	<u>6,957,699</u>	<u>7,225,815</u>
Fund balances:				
Reserved for:				
Unreserved and undesignated	418,556	20,390	2,443,944	2,882,890
Total fund balances	<u>418,556</u>	<u>20,390</u>	<u>2,443,944</u>	<u>2,882,890</u>
Total liabilities and fund balances	<u>\$ 601,167</u>	<u>\$ 105,895</u>	<u>\$ 9,401,643</u>	<u>\$ 10,108,705</u>

The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances for governmental funds (Exhibit 3)	\$	2,882,890
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and improvements	\$	393,154	
Buildings and improvements, net of \$470,233 accumulated depreciation		2,007,767	
Equipment, net of \$207,516 accumulated depreciation		93,505	
Vehicles, net of \$1,725,820 accumulated depreciation		229,627	
Water system, net of \$918,640 accumulated depreciation		8,444,693	
Total capital assets			11,168,746

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at June 30, 2004 are:

Road special assessment bonds, 7/7/1993	\$	(25,000)	
District 1 water supply bonds, 9/1/1997		(3,727,450)	
Districts 3 & 4 water supply bonds, 2/1/2003		(2,935,000)	
Districts 6 & 7 water supply bonds, 11/1/2003		(2,660,000)	
			(9,347,450)

Total net assets of governmental activities (Exhibit 2)	\$	4,704,186
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The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES
For the Year Ended June 30, 2004

	General	Fire Department	Other Governmental Funds	Total
REVENUES				
Property taxes and related fees	\$ 120,972	\$ 100,274	\$ 4,948	\$ 226,194
Licenses and permits	-	-	23,073	23,073
State aid	292,421	-	-	292,421
Charges for services	27,997	-	-	27,997
Interest and dividends	2,668	597	345,831	349,096
Rents and royalties	3,725	-	-	3,725
Special assessments, net	178,091	54,014	445,403	677,508
Miscellaneous	48,241	14	115,727	163,982
Total revenues	<u>674,115</u>	<u>154,899</u>	<u>934,982</u>	<u>1,763,996</u>
EXPENDITURES				
General government	273,621	-	-	273,621
Public safety	3,077	79,294	21,860	104,231
Public works	348,031	-	30,212	378,243
Community and economic development	6,570	-	-	6,570
Recreation and culture	42,632	-	-	42,632
Capital outlay	28,869	2,159	2,554,989	2,586,017
Debt service	-	-	884,753	884,753
Total expenditures	<u>702,800</u>	<u>81,453</u>	<u>3,491,814</u>	<u>4,276,067</u>
Excess (deficiency) of revenues over expenditures	<u>(28,685)</u>	<u>73,446</u>	<u>(2,556,832)</u>	<u>(2,512,071)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt obligations	-	-	2,630,820	2,630,820
Transfers-in	-	24,288	129,692	153,980
Transfers-out	-	(54,313)	(99,667)	(153,980)
Total other financing sources and uses	<u>-</u>	<u>(30,025)</u>	<u>2,660,845</u>	<u>2,630,820</u>
Net change in fund balances	<u>(28,685)</u>	<u>43,421</u>	<u>104,013</u>	<u>118,749</u>
Fund balances-beginning	<u>447,241</u>	<u>(23,031)</u>	<u>2,339,931</u>	<u>2,764,141</u>
Fund balances-ending	<u>\$ 418,556</u>	<u>\$ 20,390</u>	<u>\$ 2,443,944</u>	<u>\$ 2,882,890</u>

The accompanying notes are an integral part of these financial statements.

**HOMER TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004**

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 118,749
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$2,574,821) exceeded depreciation (\$253,447) in the current period.	2,321,374
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Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Proceeds:

Districts 6 & 7 water supply bonds, 11/1/2003	\$ (2,630,820)	
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Repayments:

Road special assessment bonds, 7/7/1993	5,000	
District 1 water supply bonds, 9/1/1997	247,550	
Installment purchase contract, 3/1/2000	290,000	
Districts 3 & 4 water supply bonds, 2/1/2003	20,000	
		(2,068,270)

Change in net assets of governmental activities (Exhibit 2)	\$ 371,853
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The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004

	<u>Current Tax Collection</u>
ASSETS	
Cash and cash equivalents	\$ 598
Total assets	<u>598</u>
LIABILITIES	
Due to other funds	<u>598</u>
Total liabilities	<u>598</u>
NET ASSETS	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Homer Township conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Homer Township:

A. Reporting Entity

Homer Township (the "Township") was organized in 1862 and covers an area of approximately 18 square miles. The Township is governed by an elected seven-member board. The Township provides services to its various residents in many areas, including general government, public safety, public works and recreation and culture. As required by GAAP, these financial statements present the Township, which has no component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."*

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

The 2003 taxable valuation of the Township totaled \$84.4 million on which ad valorem taxes levied consisted of 2.678 mills for operating purposes. These amounts are recognized as revenue in the general, fire, and road project funds.

The government reports the following major funds:

General Fund - This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state aid, and charges for services to provide for the administration and operation of: (1) general township governmental departments, boards and commissions; (2) public safety; (3) public works; and (4) recreation and culture. The fund includes the general operating expenditures of the Township.

Fire Fund - This fund is used to account for specific revenue sources generally derived from property taxes, general fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Additionally, the government reports the following fund types:

Debt Service Funds – These funds account for recording long term debt expenditures for the Township.

Capital Project Funds - These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

Current Tax Collection Fund – This fund is an agency fund used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets—Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building improvements	30 to 40 years
Water systems	50 years
Fire apparatus	25 years
Fire equipment	5 to 30 years
Mowing equipment	10 to 20 years
Office equipment	5 to 20 years
Computer equipment	5 to 10 years

Long-Term Obligations—In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2. LEGAL COMPLIANCE

The annual budget is prepared by the Township's management and adopted by the Township Board; subsequent amendments are approved by the Township Board. The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended (MCL 141.421 et seq.), provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Township for these budgeted funds were adopted to the activity level.

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund – Township board	\$ 27,445	\$ 31,113
General Fund – Assessor	20,970	24,266
General Fund – Cemetery	12,290	22,941
General Fund – All other general gov.	43,570	88,476
General Fund – Solid waste	180,000	211,624
General Fund – Drains	10,000	12,827
General Fund – Park and recreation	16,760	17,826
Fire Department Fund – Public safety	59,500	81,453

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 3. DEPOSITS AND INVESTMENTS

The Township's deposits and investments are presented on the balance sheet under the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 3,105,867	\$ 589	\$ 3,106,456

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$ 3,106,456
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Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated five banks for the deposit of Township funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997, has authorized investments in certificates of deposit, savings accounts, local government investment pools organized under PA 121, MCL 129.141 to 129.50, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

The Township's deposits and investments are in accordance with statutory authority.

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

Insured (FDIC)	\$ 401,948
Uninsured and Uncollateralized	2,704,508
Totals	<u>\$ 3,106,456</u>

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 4. CAPITAL ASSETS

A summary of changes in general capital assets follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 393,154	\$ -	\$ -	\$ 393,154
Capital Assets Being Depreciated				
Buildings and improvements	2,478,000	-	-	2,478,000
Equipment	294,352	6,669	-	301,021
Vehicles	359,056	-	-	359,056
Water system	7,996,004	1,367,329	-	9,363,333
Subtotal	11,127,412	1,373,998	-	12,501,410
Less Accumulated Depreciation for				
Buildings and improvements	409,700	60,533	-	470,233
Equipment	187,925	19,591	-	207,516
Vehicles	116,027	13,402	-	129,429
Water system	758,720	159,920	-	918,640
Subtotal	1,472,372	253,446	-	1,725,818
Net Capital Assets Being Depreciated	9,655,040	1,120,552	-	10,775,592
Governmental Activities Capital Assets-Net of Depreciation	<u>\$ 10,048,194</u>	<u>\$ 1,120,552</u>	<u>\$ -</u>	<u>\$ 11,168,746</u>

NOTE 5. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

The amounts of the interfund transfers are as follows:

Fund	Interfund Transfers In	Fund	Interfund Transfers Out
Fire	\$ 24,288	Fire public safety building	\$ 24,288
Water 6 & 7 debt service	75,379	Capital project 6 & 7	75,379
Fire public safety building	54,313	Fire	54,313
Total	<u>\$ 153,980</u>	Total	<u>\$ 153,980</u>

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 5. INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES (Continued)

The amounts of the interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
Building codes	\$ 1,327	General Fund	\$ 1,327
General Fund	86,810	Fire Fund	83,526
		Capital project 6 & 7	2,686
		Tax Collection Fund	598
Total	\$ 88,137	Total	\$ 88,137

NOTE 6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7. EMPLOYEE RETIREMENT PLAN

Homer Township provides pension benefits to all township officials and employees except for volunteer firemen and seasonal employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Contributions to the Plan are based on a scale set up in the pension adoption agreement for different levels of compensation. Employees can also make voluntary contributions to the plan. Upon early retirement or termination of service, other than because of death, disability, or normal retirement, benefits in the plan vest immediately at 100%. For the year ended June 30, 2004, the cost to the Township for this plan, including administrative charges, was \$22,757.

NOTE 8. SPECIAL ASSESSMENTS RECEIVABLES

Special assessments were assessed to the taxpayers of Homer Township to be used for the construction of new water districts. The assessments resulted in receivables totaling \$6,820,569 for the Township as of June 30, 2004 (see Exhibit 8). These receivables are shown as current assets with an offset of a deferred liability, on the June 30, 2004 Combined Governmental Fund Balance Sheet.

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 9. LONG-TERM DEBT

The individual fund long-term debt and other general long-term obligations of the Township and the changes therein, are summarized as follows:

General Long-Term Debt Account Group	July 1, 2003	Additions (Reductions)	June 30, 2004
Road Special Assessment Bonds, dated July 7, 1993 in the amount of \$80,000 to finance a road construction project. Principal payments are due annually on May 1, with an interest rate ranging from 3.85% to 5.85%, payable May 1 and November 1	\$ 30,000	\$ (5,000)	\$ 25,000
District 1 Water Supply System Bonds with Midland County, dated September 1, 1997 in the amount of \$4,990,000 to finance construction of a water system project. Principal payments are due annually on August 1, with an interest rate ranging from 4.6% to 6.0%, payable February 1 and August 1	3,975,000	(247,550)	3,727,450
Installment purchase contract, dated March 1, 2000, in the amount of \$575,000 to finance road and related improvements. Principal payments are due annually on March 1, with an interest rate of 4.80%, payable on March 1	290,000	(290,000)	-
Districts 3 and 4 Water Supply System Bonds with Midland County, dated February 1, 2003 in the amount of \$2,955,000 to finance construction of a water system extension. Principal payments are due annually on August 1, with an interest rate ranging from 3.5% to 4.75%, payable February 1 and August 1	2,955,000	(20,000)	2,935,000
Districts 6 and 7 Water Supply System Bonds with Midland County, dated November 1, 2003 in the amount of \$2,660,000 to finance construction of a water system extension. Principal payments are due annually on August 1, with an interest rate ranging from 2.5% to 4.75%, payable February 1, and August 1	-	2,660,000	2,660,000
Total General Long-Term Debt Account Group	\$ 7,250,000	\$ 2,097,450	\$ 9,347,450

HOMER TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE 9. LONG-TERM DEBT (Continued)

The annual principal and interest requirements through maturity for all long-term debt outstanding as of June 30, 2004, are as follows:

<u>Year</u>	<u>General Obligations</u>
2005	\$ 745,509
2006	933,006
2007	908,634
2008	886,956
2009	830,196
2010-2015	8,801,377
	<hr/> 13,105,678
Less Interest	3,758,228
	<hr/>
Total	\$ 9,347,450
	<hr/>

NOTE 10. AGREEMENT WITH CITY OF MIDLAND

The Township has an agreement with the City of Midland, dated July 29, 1997, whereby the Township, through bonds issued by the County of Midland, will construct and install a water system that is connected to the City's water system. Upon completion of construction and installation acceptance by the City, the water mains within the Township Water Service Area shall remain the property of the Township. The City shall provide all operation, maintenance and service necessary for the proper, efficient and lawful use of the system. In addition, the City will provide and maintain at its expense all meters for measuring water supplied to Township customers. Finally, the City shall bill each Township customer in accordance with the City Code of Ordinances. The billings will consist of a usage charge to be recognized by the City and a debt service and maintenance surcharge of \$90 per year to each customer, which will be used to help make payments on the Water Supply System Bonds. The agreement shall be effective for an initial term of 40 years and may be renewed as mutually agreed upon by both parties.

NOTE 11. IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of and for the year ended June 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

HOMER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 137,769	\$ 137,769	\$ 120,972	\$ (16,797)
State aid	299,094	299,094	292,421	(6,673)
Charges for services	17,830	17,830	27,997	10,167
Interest and dividends	2,500	2,500	2,668	168
Rents and royalties	3,135	3,135	3,725	590
Special assessments	181,000	181,000	178,091	(2,909)
Miscellaneous	20,639	20,639	48,241	27,602
Total revenues	<u>661,967</u>	<u>661,967</u>	<u>674,115</u>	<u>12,148</u>
EXPENDITURES				
General Government:				
Township board	27,445	27,445	31,113	(3,668)
Supervisor	27,280	27,280	24,670	2,610
Treasurer	35,340	35,340	33,085	2,255
Assessor	20,970	20,970	24,266	(3,296)
Clerk	37,640	37,640	30,620	7,020
Elections	6,000	6,000	126	5,874
Cemetery	12,290	12,290	22,941	(10,651)
Buildings and grounds	26,510	26,510	18,324	8,186
All other general government	43,570	43,570	88,476	(44,906)
Building inspection and regulation activities	5,270	5,270	3,077	2,193
Public Works:				
Public works	78,775	78,775	65,934	12,841
Solid waste	180,000	180,000	211,624	(31,624)
Water committee	20,230	20,230	2,037	18,193
Road improvements	77,000	77,000	46,582	30,418
Drains	10,000	10,000	12,827	(2,827)
Street lighting	12,000	12,000	9,027	2,973
Community/Economic Development:				
Planning commission	15,390	15,390	5,425	9,965
Zoning board of appeals	3,230	3,230	1,145	2,085
Recreation and Culture:				
Parks and recreation	16,760	16,760	17,826	(1,066)
Library	25,000	25,000	24,806	194
Capital Outlay:				
General government	29,600	29,600	14,572	15,028
Public works	10,000	10,000	6,554	3,446
Parks and recreation	45,000	45,000	7,743	37,257
Total expenditures	<u>765,300</u>	<u>765,300</u>	<u>702,800</u>	<u>62,500</u>
Excess (deficiency) of revenues over expenditures	<u>(103,333)</u>	<u>(103,333)</u>	<u>(28,685)</u>	<u>74,648</u>
Fund balances-beginning	<u>447,241</u>	<u>447,241</u>	<u>447,241</u>	<u>-</u>
Fund balances-ending	<u>\$ 343,908</u>	<u>\$ 343,908</u>	<u>\$ 418,556</u>	<u>\$ 74,648</u>

HOMER TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
FIRE FUND
For the Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes and related fees	\$ 99,592	\$ 99,592	\$ 100,274	\$ 682
Interest and dividends	200	200	597	397
Special assessments	60,075	60,075	54,014	(6,061)
Miscellaneous	4,200	4,200	14	(4,186)
Total revenues	<u>164,067</u>	<u>164,067</u>	<u>154,899</u>	<u>(9,168)</u>
EXPENDITURES				
Salaries and wages	13,000	13,000	21,087	(8,087)
Payroll taxes	1,000	1,000	1,302	(302)
Retirement	-	-	700	(700)
Supplies	14,000	14,000	5,637	8,363
Auditing	-	-	444	(444)
Contracted services	-	-	1,369	(1,369)
Spraying	-	-	631	(631)
Medical services	100	100	40	60
Telephone	6,000	6,000	2,881	3,119
Mileage and expenses	-	-	3,094	(3,094)
Dues and subscriptions	700	700	1,165	(465)
Training	200	200	1,348	(1,148)
Insurance	8,000	8,000	10,848	(2,848)
Utilities	15,000	15,000	18,613	(3,613)
Repairs and maintenance	1,500	1,500	6,639	(5,139)
Miscellaneous	-	-	3,496	(3,496)
Capital outlay	-	-	2,159	(2,159)
Total expenditures	<u>59,500</u>	<u>59,500</u>	<u>81,453</u>	<u>(21,953)</u>
Excess (deficiency) of revenues over expenditures	<u>104,567</u>	<u>104,567</u>	<u>73,446</u>	<u>(31,121)</u>
OTHER FINANCING SOURCES (USES)				
Transfers-in	-	-	24,288	24,288
Transfers-out	-	-	(54,313)	(54,313)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(30,025)</u>	<u>(30,025)</u>
Net change in fund balances	<u>104,567</u>	<u>104,567</u>	<u>43,421</u>	<u>(61,146)</u>
Fund balances-beginning	<u>(23,031)</u>	<u>(23,031)</u>	<u>(23,031)</u>	<u>-</u>
Fund balances-ending	<u>\$ 81,536</u>	<u>\$ 81,536</u>	<u>\$ 20,390</u>	<u>\$ (61,146)</u>

**HOMER TOWNSHIP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	Special Revenue Fund	Debt Service Funds				Capital Project Funds			Total Nonmajor Governmental Funds
	Building Inspection	1993 Special Assessment Bonds Roads	1998 Water Supply System Bonds District No. 1	2003 Water Supply System Bonds Districts No. 3 & 4	2004 Water Supply System Bonds Districts No. 6 & 7	2002 Installment Purchase Contract Fire Facility	Water Construction Districts No. 3 & 4	Water Construction Districts No. 6 & 7	
ASSETS									
Cash and cash equivalents	\$ 16,487	\$ 16,794	\$ 451,717	\$ 393,784	\$ 50,480	\$ -	\$ 250,111	\$ 1,400,374	\$ 2,579,747
Assessments receivable, net	-	19,712	1,715,292	2,647,365	2,438,200	-	-	-	6,820,569
Due from other funds	1,327	-	-	-	-	-	-	-	1,327
Total assets	<u>\$ 17,814</u>	<u>\$ 36,506</u>	<u>\$ 2,167,009</u>	<u>\$ 3,041,149</u>	<u>\$ 2,488,680</u>	<u>\$ -</u>	<u>\$ 250,111</u>	<u>\$ 1,400,374</u>	<u>\$ 9,401,643</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,119	\$ 88,211	\$ 134,444
Due to other funds	-	-	-	-	-	-	-	2,686	2,686
Deferred revenue	-	19,712	1,715,292	2,647,365	2,438,200	-	-	-	6,820,569
Total liabilities	<u>114</u>	<u>19,712</u>	<u>1,715,292</u>	<u>2,647,365</u>	<u>2,438,200</u>	<u>-</u>	<u>46,119</u>	<u>90,897</u>	<u>6,957,699</u>
Fund balances:									
Reserved for:									
Unreserved and undesignated	17,700	16,794	451,717	393,784	50,480	-	203,992	1,309,477	2,443,944
Total fund balances	<u>17,700</u>	<u>16,794</u>	<u>451,717</u>	<u>393,784</u>	<u>50,480</u>	<u>-</u>	<u>203,992</u>	<u>1,309,477</u>	<u>2,443,944</u>
Total liabilities and fund balances	<u>\$ 17,814</u>	<u>\$ 36,506</u>	<u>\$ 2,167,009</u>	<u>\$ 3,041,149</u>	<u>\$ 2,488,680</u>	<u>\$ -</u>	<u>\$ 250,111</u>	<u>\$ 1,400,374</u>	<u>\$ 9,401,643</u>

The accompanying notes are an integral part of these financial statements.

HOMER TOWNSHIP
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2004

	Special Revenue Fund	Debt Service Funds					Capital Project Funds		Total Nonmajor Governmental Funds
	Building Inspection	1993 Special Assessment Bonds Roads	1998 Water Supply System Bonds District No. 1	2003 Water Supply System Bonds Districts No. 3 & 4	2004 Water Supply System Bonds Districts No. 6 & 7	2002 Installment Purchase Contract Fire Facility	Water Construction Districts 3 & 4	Water Construction Districts 6 & 7	
REVENUES									
Property taxes and related fees	\$ -	\$ 4,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,948
Licenses and permits	23,073	-	-	-	-	-	-	-	23,073
Interest and dividends	-	1,418	113,128	216,717	1,754	1,618	3,802	7,394	345,831
Special assessments, net	-	-	222,168	223,235	-	-	-	-	445,403
Miscellaneous	-	-	74,382	13,055	660	27,630	-	-	115,727
Total revenues	23,073	6,366	409,678	453,007	2,414	29,248	3,802	7,394	934,982
EXPENDITURES									
Public safety	21,860	-	-	-	-	-	-	-	21,860
Public works	-	-	17,105	10,920	2,187	-	-	-	30,212
Capital outlay	-	-	-	-	-	-	1,301,631	1,253,358	2,554,989
Debt service	-	7,148	430,594	117,965	25,126	303,920	-	-	884,753
Total expenditures	21,860	7,148	447,699	128,885	27,313	303,920	1,301,631	1,253,358	3,491,814
Excess (deficiency) of revenues over expenditures	1,213	(782)	(38,021)	324,122	(24,899)	(274,672)	(1,297,829)	(1,245,964)	(2,556,832)
OTHER FINANCING SOURCES (USES)									
Proceeds from debt obligations	-	-	-	-	-	-	-	2,630,820	2,630,820
Transfers-in	-	-	-	-	75,379	54,313	-	-	129,692
Transfers-out	-	-	-	-	-	(24,288)	-	(75,379)	(99,667)
Total other financing sources and uses	-	-	-	-	75,379	30,025	-	2,555,441	2,660,845
Net change in fund balances	1,213	(782)	(38,021)	324,122	50,480	(244,647)	(1,297,829)	1,309,477	104,013
Fund balances-beginning	16,487	17,576	489,738	69,662	-	244,647	1,501,821	-	2,339,931
Fund balances-ending	\$ 17,700	\$ 16,794	\$ 451,717	\$ 393,784	\$ 50,480	\$ -	\$ 203,992	\$ 1,309,477	\$ 2,443,944

The accompanying notes are an integral part of these financial statements.

February 4, 2005

Members of the Township Board
Homer Township
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Homer Township, for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)

Periodic Financial Reports

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

Treasurer

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).

Clerk or Accounting or Controller or Finance Department

- Balance sheet by fund (monthly).
- Detail revenue by fund - budget to actual (monthly).
- Detail expenditures by fund - budget to actual (monthly).
- List of bills to be approved for payment (each meeting).
- Separate list of bills paid prior to approval pursuant to a council approved policy (each meeting).

The Clerk and Treasurer do not provide the Township Board with the required reports. These reports will assist the Board of Trustees in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures, etc.

Township Credit Cards

During the March 2004 Board of Trustees meeting, the Board moved to eliminate all retail credit arrangements. During our audit fieldwork we noted the Township still utilizing certain retail credit arrangements. We recommend the Board of Trustees either follow its own directive and eliminate all retail credit arrangements, or adopt a new credit card policy in accordance with State of Michigan requirements.

Bank Reconciliations

The Township Treasurer still has difficulty reconciling cash balances to the general ledger maintained by the Township Clerk. As stated in the Michigan Department of Treasury's *Uniform Accounting Procedures Manual*, "All bank accounts must be reconciled to the local unit accounting records monthly. The Clerk's records must agree with or reconcile to the Treasurer's and the bank's records. A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. Canceled checks are to be filed with the bank statement to which they apply." We recommend the Clerk and Treasurer submit this reconciliation along with the above reports monthly until the Township Board is satisfied that this necessary reconciliation procedure is being performed on a monthly basis.

Special Assessment Reconciliations

Similar to bank accounts being reconciled to general ledger, special assessment rolls must be reconciled to the general ledger. And similar to the Township Treasurer having difficulty reconciling the bank accounts to the general ledger, he also has difficulty reconciling the special assessment rolls to the general ledger. We recommend the Board of Trustees purchase new software specifically designed to manage the special assessment process so that this reconciliation process is performed in an accurate and timely manner.

Record Management

It is very important to have an orderly filing system to prevent lost items. During our audit, we again encountered difficulty in locating meeting minutes, special assessment rolls, contracts, invoices and board resolutions. The system can be organized any number of ways, but should be clear, uncomplicated, and evident without reliance on the individual who normally does the filing.

Appropriations in Budgetary Funds

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the various activity centers of the General Fund.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

Computerized General Ledger

The general ledger is the primary financial record of the Township and must reflect all financial activity. During our audit, we noted a debt service fund, a capital project fund, the Current Tax Collection Fund, the General Fixed Asset Account Group and the Long Term Debt Account Group are not maintained by the Clerk on the General Ledger. We recommend the Clerk establish these funds and account groups on the general ledger to report this information on a monthly basis so that Township Board members can perform their financial oversight responsibility.

OTHER MATTERS

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

Financial Oversight

The general limitations in any smaller municipalities like Homer Township requires that Township Board members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions, and our comment here is intended to emphasize the importance of this oversight.

Township Board Meeting Minutes

Township Boards must document within meeting minutes matters or events that materially affect the financial statements. We submit for future reference the following partial list of information that should be considered when preparing and approving minutes:

- Indications of new or additional sources of support or revenue, or reduced or terminated sources.
- Acknowledgment of contributions, gifts, and grants received, and the nature of restrictions or requirements related to such items.
- Approval of agreements with funding sources and related budgets.
- Approval of budgets for governmental and related funds.
- Approval of changes in dues, rates, fees, or prices to be charged for services or items sold.
- Awards, renewals, or cancellations of grants to other organizations.
- Satisfaction, termination, or lapse of significant restrictions on assets.
- Indications of new employees and their functions, personnel termination, or use of donated services.
- Purchases, or commitments of future purchases of:
 1. Property and equipment (also, construction projects and sales of property or equipment).
 2. Investment securities (also, pooling and sales of investments).
 3. Contract, consulting, and professional services.
- Lease agreements entered into.
- Bank accounts opened and closed, and restrictions on bank accounts.
- Debt agreements made and related requirements.
- Official or employee fidelity and faithful performance bond requirements.
- Approval of new or revised employee benefit plans.
- Existing or pending lawsuits.
- Approval of inter-fund loans or transfers, and designations of fund balances.
- Audits by other governmental units.
- Determination that an inter-fund loan is uncollectible.
- Identification of a related party or a transaction with a related party.

By using this information as a checklist when preparing and approving board minutes, the Township can adequately document matters that may materially affect the financial statements or which require footnote disclosure.

Segregate Costs for Water Districts

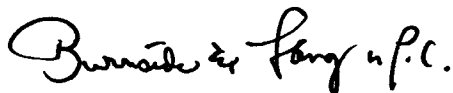
The Township approved Water District #3 and District #4 and District #6 and District #7. Our review indicated that the costs for these projects have been combined in the Township's reporting. Since special assessment districts have been established and it appears that there will be excess funds, we recommend that the Township segregate the costs of these projects so that the Township Board can make an informed decision once the final costs of the projects are known.

Conclusion

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2004, financial statements, and this report does not affect our report on those financial statements dated February 4, 2005. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", is written above the printed name.

BURNSIDE & LANG, P.C.